

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 098926

13

ORIGIN TRSE-00

INFO OCT-01 EUR-25 EA-11 ADP-00 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08

CEA-02 L-03 H-02 PA-03 PRS-01 USIA-12 IO-12 ARA-11

OIC-04 /193 R

66605

DRAFTED BY: TRESURY: SCOTT VAN BATENBURG

APPROVED BY: EB/ IFD : SWEINTRAUB

TREASURY: E. JAY FINKEL EB/ IFD/ ODF- TCSHAFFER

TREASURY: E. JAY FINKEL

STATE: JOHN ROTHBERG

----- 018509

R 231955 Z MAY 73

FM SECSTATE WASHDC

TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS

USCINCSO

AMEMBASSY MANILA

AMEMBASSY OTTAWA

AMEMBASSY BONN

AMEMBASSY STOCKHOLM

LIMITED OFFICIAL USE STATE 098926

MANILA FOR USADB

EO 11652: N/ A

TAGS RAID, EFIN

SUBJ: IDB GOVERNORS MEETING

1. SUMMARY: 14 TH IDB ANNUAL MEETING HELD IN KINGSTON, JAMAICA
MAY 7-10. SECRETARY SHULTZ HEADED U. S. DELEGATION WHICH INCLUDED
NINE MEMBERS OF CONGRESS. MEETING FOR MOST PART WAS UNEVENTFUL.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 098926

DISCUSSION OF AGENDA ITEMS RAISED NO CRITICAL ISSUES. ALL RESOLUTIONS WERE PHRASED IN A NEUTRAL MANNER AND WERE REFERRED TO THE IDB EXECUTIVE BOARD FOR FURTHER STUDY. SPECIAL SUB- COMMITTEE OF GOVERNORS GRANTED BANK PRESIDENT BROADENED FLEXIBILITY IN NEGOTIATIONS ON TERMS WITH POTENTIAL NON- REGIONAL MEMBERS. COMMON THEMES DISCUSSED AT MEETINGS AND IN CORRIDORS WERE U. S. EXPROPRIATION POLICY AS IT APPLIES TO PERU AND TO CHILE, U. S. VETO POWER IN THE BANK' S FUND FOR SPECIAL OPERATIONS (KFSO), AND THE ADVISABILITY OF NEW EXPORT FINANCING FACILITIES. SECRETARY SHULTZ SUBMITTED A FORMAL U. S. STATEMENT FOR THE RECORD AND SPOKE EXTEMPORANEOUSLY CONCERNING (1) MONETARY REFORM, (2) TRADE REFORM, AND (3) SPECIFIC ISSUES INVOLVING THE IDB.

2. AGENDA ITEMS: DISCUSSION OF AGENDA ITEMS RAISED NO CRITICAL ISSUES. ALL RESOLUTIONS WERE PHRASED IN A NEUTRAL MANNER AND IF ISSUE UNRESOLVED REFERRED TO IDB BOARD OF EXECUTIVE DIRECTORS FOR FURTHER STUDY. CHILEAN/ ARGENTINE RESOLUTION DID NOT OPEN UP DISCUSSION AT THIS MEETING OF IDB CHARTER AMENDMENTS. RESOLUTION WHICH DEALS WITH THIS ISSUE DOES NOT SPECIFICALLY CITE U. S. VETO OVER USE OF FSO RESOURCES-- ASSUMED TARGET OF CHILEAN/ ARGENTINE INITIATIVE-- AND DOES NOT NECESSARILY CALL FOR IDB BOARD OF EXECUTIVE DIRECTORS TO MAKE PROPOSALS AS A RESULT OF THE GENERAL STUDY OF CHARTER WHICH PROPOSAL AUTHORIZES.

ISSUE OF REGIONAL MEMBERSHIP, PARTICULARLY GUYANA, WAS REFERRED TO IDB BOARD.

VENEZUELA STRONGLY SUPPORTED THIS DECISION IN ITS PUBLIC STATEMENT. IT IS UNKNOWN THAT POSITION VENEZUELA WILL ULTIMATELY TAKE AT THE BOARD ON THE QUESTION OF IDB MEMBERSHIP FOR GUYANA. TRINIDAD AND TOBAGO ORIGINALLY WANTED TO INCLUDE A STUDY OF MEMBERSHIP FOR NON- INDEPENDENT ENTITIES- ARGUING THAT IDB LOANS WOULD SPEED UP THE DAY THEY COULD OBTAIN INDEPENDENCE-- BUT THE U. S. DELEGATION PERSUADED TRINIDAD AND TOBAGO TO DROP THIS PROPOSAL. THE NEED FOR IMPROVED EXPORT FINANCING FACILITIES WAS RAISED BUT WITH NOT TOO MUCH STRIDENCY. PARAGUAY SUGGESTED RETRO(IN THE SENSE OF LIBERALIZED FUTURE PAYMENTS ON PAST CONTRACTS) ACTIVE APPLICATION OF LIBERAL FSO TERMS AGREED TO LAST YEAR AND COSTA RICA WANTED LESS LOCAL CURRENCY CONTRIBUTION ON ITS PROJECTS. THESE ISSUES WERE LIKEWISE REFERRED TO EXECUTIVE BOARD IN NEUTRAL LANGUAGE. GOVERNORS APPROVED SANTIAGO LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 098926

AS SITE FOR NEXT ANNUAL MEETING.

3. NON- REGIONAL MEMBERSHIP: A SPECIAL SUB- COMMITTEE OF GOVERNORS DISCUSSED TERMS OF NON REGIONAL MEMBERSHIP. THE SUBCOMMITTEE PROVIDED THE PRESIDENT OF THE BANK WITH INCREASED NEGOTIATING FLEXIBILITY ON TERMS BY ALLOWING A PAID- IN- CALLABLE CAPITAL RATIO

OF 17-83 PERCENT FLOOR BUT RETAINING PREVIOUS OVERALL CASH PAY- IN FLOOR OF DOLS 500 MILLION OF WHICH NOT LESS THAN DOLS 375 MILLION TO BE SOFT. IN SUBSEQUENT MEETING BETWEEN BANK AND NON- REGIONALS, THEY RECORDED GENERAL SATISFACTION ON LATEST FORMULA AND OPTIMISM ON FAVORABLE OUTCOME-- I. E. MEMBERSHIP IN BANK. GERMANS INDICATED THAT BUDGET TIMING AND AMOUNT STILL MAJOR STUMBLING BLOCK. SWEDES RAISED POINT OF HAVING SEPARATE FSO FUNDS FOR NON- REGIONALS IN REGARD TO U. S. VETO; BUT WITHOUT OTHER MAJOR SUPPORT. SWDES APPROACHED U. S. SEPARATELY ON THIS ISSUE AND U. S. DELEGATION DISCOURAGED ANY FURTHER CONSIDERATION OF THAT AS REAL OPTION SINCE OUR ORIGINAL PROPOSAL WAS BASED ON A MINIMUM U. S. SHARE OF 34.5 PERCENT AND IS STILL A SIN QUA NON. BELIEVE ISSUE WILL DIE THERE, BUT SWEDES MAY CONTINUE LOBBY OTHER EUROPEANS. NEXT STEP IS A NON- REGIONAL MEETING IN LONDON BETWEEN NOW AND SEPTEMBER AND A JOINT BANK- NON- REGIONAL MEETING IN NAIROBI, HOPEFULLY TO BUTTON UP FINAL DETAILS IN ORDER TO OBTAIN APPROVAL AND SUBMISSION TO GOVERNMENTS (LEGISLATURES) BY YEAR END.

4. EXPROPRIATION ISSUE: THE ISSUE OF EXPROPRIATION, SPECIFICALLY U. S. EXPROPRIATIO POLICY AS IT APPLIES TO PERU AND TO CHILE, WAS RAISED AT MEETINGS AND IN CORRIDOR CONVERSATIONS. SPEECH BY CHILEAN FINANCE MINISTER FLORES COVERED USUAL CHILEAN THEMES MORE DEFENSIVELY AND LESS HARSHLY THAN IN PAST. IN REFERRING TO U. S. POSITION ON EXPROPRIATION, FLORES ARGUED THAT IN THE CASE IN CHILE THERE HAS NOT BEEN CONFISCATION OF U. S. PROPERTIES BUT ONLY RECTIFICATION OF HISTORICAL INJUSTICE. HE CITED BELLIGERENT ACTIONS OF ITT AND KENNECOTT. FLORES REFERRED TO THE FOREIGN ECONOMIC BLOCKADE, LACK OF IFI LOANS SINCE PRESIDENT ALLENDE CAME TO POWER, AND EMPHASIZED THE NEED TO CHANGE THE IDB STRUCTURE TO TAKE INTO ACCOUNT ECONOMIC PLURALITY IN HEMISPHERE ALONG WITH PLURALITY OF IDEOLOGIES. CANDIAN MINISTER OF NATIONAL REVENUE, STANSBURY, EMPHASIZED IN SPEECH THE DILEMMA BETWEEN RIGHT OF SOVEREIGN GOVERNMENTS TO EXERCISE DESIRED CONTROL OVER ECONOMY AND THE RIGHT THAT INVESTORS HAVE FOR FAIR AND RESONABLE SAFE- GUARDS. HE CONCLUDED THAT BANK SHOULD BE INSULATED FROM EFFECTS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 STATE 098926

OF SUCH DIFFERENCES OF VIEW ARISING FROM THE DILEMMA AND THAT SUCH DIFFERENCES SHOULD BE RESOLVED BILATERALLY. SECRETARY SHLUTZ IN EXTEMPORANEOUS COMMENTS AND IN SUBMITTED STATEMENT ACKNOWLEDGED THE EXISTENCE OF DIFFERENCES OF OPINION SPECIFICALLY WITH CANADIAN VIEWS AND RESTATED PRINCIPLES OF U. S. EXPROPRIATION POLICY.

5. U. S. STATEMNT: SECRETARY SHULTZ SUBMITTED A FORMAL STATEMENT FOR THE RECORD AND SPOKE EXTEMPORANEOUSLY CONCERNING (1) MONETARY REFORM, (2) TRADE REFORM, AND (3) SPECIFIC ISSUES INVOLVING THE IDB. MONETARY REFORM, THE SECRETARY SAID, SHOULD PROVIDE FOR

A FLEXIBLE SYSTEM WHERE ADJUSTMENT TAKES PLACE REGULARLY. THE SECRETARY STRESSED THE NEED FOR OBJECTIVE INDICATORS AS THOSE ADVOCATED UNDER U. S. PROPOSALS. HE EMPHASIZED THAT WHEN ADJUSTMENT IS CALLED FOR, IT SHOULD BE UP TO THE COUNTRY INVOLVED TO DECIDE HOW TO ADJUST. HE NOTED U. S. RESERVATIONS CONCERNING THE SR- AID LINK. ON TRADE REFORM THE SECRETARY GAVE A GENERAL STATEMENT CONCERNING THE NEED FOR CHANGES IN THIS AREA AND OUTLINED THE FEATURES AND BASIC OBJECTIVES OF THE TRADE LEGISLATION THE ADMINISTRATION HAS RECENTLY SUBMITTED TO THE CONGRESS. REGARDING ISSUES INVOLVING THE IDB, THE SECRETARY PRAISED THE PROGRESS MADE BY THE BANK IN SEVERAL AREAS INCLUDING ITS PHASING DOWN OF SOFT - LOANS TO ITS RELATIVELY MORE DEVELOPED MEMBERS HE WELCOMED THE BROADENING OF THE BANK' S MEMBERSHIP BASE NOTING THAT THIS WOULD LESSEN THE BANK' S DEPENDENCE ON THE UNITED STATES FOR RESOURCES. THE SECRETARY INDICATED THAT THE U. S. WOULD CONTINUE TO PRESSHARD FOR THE FY 1974 APPROPRIATIONS TO THE BANK, BUT POINTED OUT SOME OF THE DIFFICULTIES THAT MEMBERS OF THE CONGRESS, NINE OF WHOM WERE U. S. DELEGATION MEMBERS AT THIS MEETING, HAVE IN THIS REGARD. HE SAID THAT IT WAS VERY DIFFICULT TO ANSWER THE TOUGH QUESTIONS THAT CONGRESSMEN ARE ASKED BY THEIR CONSTITUENTS AS TO WHY THEY SUPPORT APPROPRIATIONS TO THE IDB FOR BUILDING ROADS OR DAMS ABROAD WHILE THEY ARE CUTTING BACK ON SUCH PROJECTS IN OUR OWN COUNTRY. RUSH

LIMITED OFFICIAL USE
NMAFVVZCZ

*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts:
Control Number: n/a
Copy: SINGLE
Draft Date: 23 MAY 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE098926
Document Source: CORE
Document Unique ID: 00
Drafter: TRESURY: SCOTT VAN BATENBURG
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: SECSTATE WASHDC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730551/aaaajoqo.tel
Line Count: 195
Locator: TEXT ON-LINE
Office: ORIGIN TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 09 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09-Aug-2001 by shawdg>; APPROVED <12-Sep-2001 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> gwr 980226
Subject: IDB GOVERNORS MEETING
TAGS: EFIN, RAID, US
To: BONN
MANILA
MANILA
OTTAWA
STOCKHOLM
USCINCSO
Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005